

**HSBC BANK MALAYSIA BERHAD**  
**(Company No.127776-V)**  
**(Incorporated in Malaysia)**  
**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures**  
**at 30 June 2018**

**CHIEF EXECUTIVE OFFICER'S ATTESTATION**

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I, Stuart Paterson Milne, being the Chief Executive Officer of HSBC Bank Malaysia Berhad, do hereby state that, in my opinion, the Pillar 3 Disclosures set out on pages 2 to 40 have been prepared according to the Risk Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

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**STUART PATERSON MILNE**

CHIEF EXECUTIVE OFFICER  
25 July 2018

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures**

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The Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures at 30 June 2018 do not include all of the information required for full (Basel II) Pillar 3 Disclosures, and should be read in conjunction with the audited financial statements of HSBC Bank Malaysia Berhad (the Bank) and its subsidiaries (collectively known as the Group) for the financial year ended 31 December 2017 and the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosures at 31 December 2017.

The tables attached in the Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures provide an understanding of the quantitative changes relating to Pillar 3 Disclosures of the Group since the financial year ended 31 December 2017. There are no material changes relating to qualitative disclosures during the interim reporting period.

### **Stress Testing**

Our stress testing programme examines the sensitivities and resilience of our capital plans and unplanned demand for regulatory capital under a number of scenarios and ensures that top and emerging risks are appropriately considered. These scenarios include, but are not limited to, adverse macroeconomic events, failures at country, sector and counterparty levels, geopolitical occurrences and a variety of projected major operational risk events. Scenarios are translated into financial impacts to assess the sensitivities and resilience of our capital demand. Action plans are developed to mitigate identified risks. The Group's Risk Committee (RC) is informed and consulted on the entity's stress testing activities, as appropriate.

Reverse stress testing is run annually. It is used to strengthen our resilience by identifying potential stresses and vulnerabilities which the entity might face and helping to inform early-warning triggers, management actions and contingency plans designed to mitigate their effect, were they to occur.

Stress testing and scenario analysis form an integral part of Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that the Group can maintain risk capital sufficient enough to sustain operations during an economic downturn.

### **Governance**

The Stress Test Working Group (STWG) will actively manage and drive cohesion and consistency across all stress testing activities, including the execution of enterprise wide stress tests and enhancements to stress testing and data capability. Stress test results and the proposed mitigating actions will be recommended by Risk Management Meeting (RMM) and RC of the Board for approval.

Refer to Note 38 of the unaudited condensed interim financial statements at 30 June 2018 for the total risk weighted capital ratio, Common Equity Tier 1 and Tier 1 capital ratio, and risk weighted assets and capital requirements for credit risk, market risk and operational risk.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement**

The tables below disclose the gross and net exposures, risk weighted assets (RWA) and capital requirements for credit risk, market risk and operational risk of the Group and the Bank at balance sheet date.

At 30 June 2018, the RWA risk absorbent for Syndicated Investment Account for Financing (SIAF)/ Investment Agency Account (IAA) in the Bank amounted to RM2,127.4m (31 December 2017: RM3,137.2m). Both the principal amount and RWA are the same. This amount is reported as asset under management in the books of the Bank's Islamic Subsidiary. At the group level, the effect of the RWA risk absorbent profit sharing investment is eliminated.

**30 Jun 2018**  
**(RM'000)**

*Group*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	22,616,287	22,616,287	445,756	35,660
PSEs	2,014,649	2,014,649	1,212,608	97,009
Banks, DFIs & MDBs	2,634,338	2,190,649	623,135	49,850
Corporates	22,020,201	21,328,251	19,808,233	1,584,659
Regulatory Retail	5,607,499	5,516,691	4,257,249	340,580
Residential Mortgages	19,620,604	19,603,004	7,123,942	569,916
Higher Risk Assets	19,038	19,038	28,557	2,285
Other Assets	839,449	839,449	546,747	43,740
Equity Exposure	186,737	186,737	186,737	14,939
Defaulted Exposures	556,178	550,689	645,169	51,614
<b>Total for On-Balance Sheet Exposures</b>	<b>76,114,980</b>	<b>74,865,444</b>	<b>34,878,133</b>	<b>2,790,252</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,297,663	2,471,477	1,291,429	103,315
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,579,506	16,220,241	11,628,772	930,301
Defaulted Exposures	5,834	5,834	8,043	644
<b>Total for Off-Balance Sheet Exposures</b>	<b>20,883,003</b>	<b>18,697,552</b>	<b>12,928,244</b>	<b>1,034,260</b>
<b>Total On and Off-Balance Sheet Exposures <sup>(1)</sup></b>	<b>96,997,983</b>	<b>93,562,996</b>	<b>47,806,377</b>	<b>3,824,512</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	35,715,285	36,439,735	(724,450)	1,382,874
Foreign Currency Risk	20,235	104,513	105,347	8,427
Options Risk	-	-	-	55,556
	<b>35,735,520</b>	<b>36,544,248</b>	<b>(619,103)</b>	<b>1,543,777</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,731,451</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>55,081,605</b>

<sup>(1)</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) Credit risk mitigation (CRM) within this disclosure document.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement (Cont'd)**

31 Dec 2017  
(RM'000)

Group

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	20,095,774	20,095,774	366,893	29,351
PSEs	2,791,432	2,791,432	1,989,204	159,137
Banks, DFIs & MDBs	4,188,627	2,602,980	671,295	53,704
Corporates	21,851,696	21,008,721	19,632,775	1,570,622
Regulatory Retail	5,786,585	5,683,406	4,362,918	349,033
Residential Mortgages	19,943,787	19,924,473	7,255,040	580,403
Higher Risk Assets	24,989	24,989	37,483	2,999
Other Assets	802,211	802,211	545,838	43,667
Equity Exposure	176,679	176,679	176,679	14,134
Defaulted Exposures	644,982	630,426	732,284	58,582
<b>Total for On-Balance Sheet Exposures</b>	<b>76,306,762</b>	<b>73,741,091</b>	<b>35,770,409</b>	<b>2,861,632</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,634,468	2,276,022	1,187,520	95,001
Off balance sheet exposures other than OTC derivatives or credit derivatives	17,086,151	16,646,417	11,976,882	958,150
Defaulted Exposures	7,633	7,633	10,154	813
<b>Total for Off-Balance Sheet Exposures</b>	<b>21,728,252</b>	<b>18,930,072</b>	<b>13,174,556</b>	<b>1,053,964</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>98,035,014</b>	<b>92,671,163</b>	<b>48,944,965</b>	<b>3,915,596</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	36,751,785	37,733,245	(981,460)	966,494
Foreign Currency Risk	16,375	290,715	290,715	23,258
Options Risk	-	-	-	90,233
	<b>36,768,160</b>	<b>38,023,960</b>	<b>(690,745)</b>	<b>1,347,442</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,787,374</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>56,079,781</b>
				<b>4,486,383</b>

Note:

*MDBs - Multilateral Development Banks*  
*DFIs - Development Financial Institutions*  
*PSEs - Public Sector Entities*  
*OTC - Over the counter*

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

Refer to Note 38 and Note 39 of the financial statements at 30 June 2018 for disclosure on RWA breakdown by various categories of risk weights and off-balance sheet respectively.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement (Cont'd)**

**30 Jun 2018**  
**(RM'000)**

*Bank*

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	17,462,724	17,462,724	445,756	35,660
PSEs	1,413,251	1,413,251	811,720	64,938
Banks, DFIs & MDBs	3,148,081	2,902,323	704,292	56,343
Corporates	16,176,584	15,618,491	14,452,900	1,156,232
Regulatory Retail	3,272,487	3,199,126	2,410,210	192,817
Residential Mortgages	15,252,168	15,237,451	5,538,473	443,078
Higher Risk Assets	19,038	19,038	28,557	2,285
Other Assets	724,719	724,719	523,947	41,916
Equity Exposure	186,737	186,737	186,737	14,939
Defaulted Exposures	379,602	377,162	437,821	35,026
<b>Total for On-Balance Sheet Exposures</b>	<b>58,035,391</b>	<b>57,141,022</b>	<b>25,540,413</b>	<b>2,043,234</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,314,816	2,488,630	1,170,458	93,637
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,662,730	13,390,142	9,796,106	783,688
Defaulted Exposures	4,817	4,817	6,522	522
<b>Total for Off-Balance Sheet Exposures</b>	<b>17,982,363</b>	<b>15,883,589</b>	<b>10,973,086</b>	<b>877,847</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>76,017,754</b>	<b>73,024,611</b>	<b>36,513,499</b>	<b>2,921,081</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	35,454,599	35,735,651	(281,052)	1,339,111
Foreign Currency Risk	17,404	102,516	102,516	8,201
Options Risk	-	-	-	55,556
	<b>35,472,003</b>	<b>35,838,167</b>	<b>(178,536)</b>	<b>1,497,183</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,134,564</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>43,145,246</b>
				<b>3,451,620</b>

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**1) RWA and Capital Requirement ( Cont'd)**

31 Dec 2017  
(RM'000)

Bank

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	Minimum Capital Requirement at 8%
<b>Credit Risk (Standardised Approach)</b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	16,387,492	16,387,492	366,893	29,351
PSEs	1,740,704	1,740,704	1,139,033	91,123
Banks, DFIs & MDBs	6,948,297	5,362,650	1,161,964	92,957
Corporates	16,473,671	15,740,297	14,566,075	1,165,286
Regulatory Retail	3,397,411	3,313,845	2,496,092	199,687
Residential Mortgages	15,584,111	15,567,673	5,675,700	454,056
Higher Risk Assets	24,989	24,989	37,483	2,999
Other Assets	680,506	680,506	525,627	42,050
Equity Exposure	176,679	176,679	176,679	14,134
Defaulted Exposures	475,304	464,557	547,341	43,787
<b>Total for On-Balance Sheet Exposures</b>	<b>61,889,164</b>	<b>59,459,392</b>	<b>26,692,887</b>	<b>2,135,430</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,662,208	2,303,762	1,064,281	85,142
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,066,874	13,709,875	10,061,727	804,938
Defaulted Exposures	6,166	6,166	8,059	645
<b>Total for Off-Balance Sheet Exposures</b>	<b>18,735,248</b>	<b>16,019,803</b>	<b>11,134,067</b>	<b>890,725</b>
<b>Total On and Off-Balance Sheet Exposures <sup>[1]</sup></b>	<b>80,624,412</b>	<b>75,479,195</b>	<b>37,826,954</b>	<b>3,026,155</b>
<b>Market Risk (Standardised Approach)</b>				
	<u>Long Position</u>	<u>Short Position</u>		
Interest/Profit Rate Risk	36,633,313	37,496,013	(862,700)	961,964
Foreign Currency Risk	14,055	285,795	285,795	285,795
Options Risk	-	-	-	90,233
	<b>36,647,368</b>	<b>37,781,808</b>	<b>(576,905)</b>	<b>1,337,992</b>
<b>Operational Risk (Standardised Approach)</b>	-	-	-	<b>5,203,610</b>
<b>Total RWA and Capital Requirement</b>	-	-	-	<b>44,368,556</b>
				<b>3,549,484</b>

Note:

*MDBs - Multilateral Development Banks*  
*DFIs - Development Financial Institutions*  
*PSEs - Public Sector Entities*  
*OTC - Over the counter*

<sup>[1]</sup> The variance between Gross Exposures and Net Exposures, represents the 'Total On and Off-Balance Sheet Exposures covered by Eligible Collateral'. Refer to Note (3) (ii) CRM within this disclosure document.

Refer to Note 38 and Note 39 of the financial statements at 30 June 2018 for disclosure on RWA breakdown by various categories of risk weights and off-balance sheet respectively.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**2) Risk Weight Profile and RWA**

The tables below are disclosures on risk weights profile and RWA of the Group and the Bank at balance sheet date.

**30 Jun 2018**

*Group*

(RM000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	20,387,832	-	-	13,275	11,119	-	-	292,675	-	20,704,901	-
20%	2,629,519	1,182,551	2,505,994	2,377,272	11,542	-	-	35	-	8,706,913	1,741,383
35%	-	-	-	-	-	21,406,180	-	-	-	21,406,180	7,492,163
50%	-	324,434	1,528,614	2,038,597	17,378	543,019	-	-	-	4,452,042	2,226,021
75%	-	-	-	-	7,674,670	638,652	-	-	-	8,313,322	6,234,991
100%	-	1,387,731	75,131	26,679,294	524,634	315,011	-	546,740	186,737	29,715,278	29,715,278
150%	-	-	-	29,930	112,116	98,171	24,143	-	-	264,360	396,541
Total										93,562,996	47,806,377
Average Risk Weight	2%	62%	33%	91%	77%	38%	150%	65%	100%	51%	

**31 Dec 2017**

*Group*

(RM000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	18,266,473	-	-	14,170	13,160	-	-	300,330	-	18,594,133	-
20%	1,895,391	1,182,784	3,220,461	2,658,568	14,124	-	-	823	-	8,972,151	1,794,432
35%	-	-	-	-	-	21,704,895	-	-	-	21,704,895	7,596,713
50%	-	340,582	1,366,893	1,527,579	2,815	523,430	-	6,195	-	3,767,494	1,883,747
75%	-	-	-	-	7,762,086	815,947	-	-	-	8,578,033	6,433,525
100%	-	2,394,300	53,353	26,821,027	461,998	383,482	-	490,715	176,679	30,781,554	30,781,554
150%	-	-	-	83,087	41,441	111,836	32,390	-	-	268,754	403,131
1250%	-	-	-	-	-	-	-	4,149	-	4,149	51,863
Total										92,671,163	48,944,965
Average Risk Weight	2%	72%	30%	91%	77%	38%	150%	68%	100%	53%	

*Note:*

*MDBs - Multilateral Development Banks*

*DFIs - Development Financial Institutions*

*PSEs - Public Sector Entities*

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**2) Risk Weight Profile and RWA (Cont'd)**

30 Jun 2018

Bank

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	15,234,269	-	-	6,972	4,798	-	-	200,744	-	15,446,783	-
20%	2,629,519	781,913	3,684,589	1,865,068	6,037	-	-	35	-	8,967,161	1,793,432
35%	-	-	-	-	-	16,835,142	-	-	-	16,835,142	5,892,300
50%	-	324,434	1,022,756	1,504,817	10,564	393,931	-	-	-	3,256,502	1,628,251
75%	-	-	-	-	5,104,649	524,550	-	-	-	5,629,199	4,221,899
100%	-	993,009	75,131	20,637,461	61,543	236,418	-	523,940	186,737	22,714,239	22,714,239
150%	-	-	-	28,245	53,781	69,416	24,143	-	-	175,585	263,378
Total										73,024,611	36,513,499
Average Risk Weight	3%	62%	28%	91%	76%	38%	150%	72%	100%	50%	

31 Dec 2017

Bank

(RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, DFIs & MDBs	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Equity		
0%	14,558,191	-	-	6,907	7,304	-	-	198,836	-	14,771,238	-
20%	1,895,391	782,088	6,472,411	2,191,413	7,493	-	-	823	-	11,349,619	2,269,924
35%	-	-	-	-	-	17,125,740	-	-	-	17,125,740	5,994,009
50%	-	340,582	826,667	1,182,261	2,570	395,875	-	6,195	-	2,754,150	1,377,075
75%	-	-	-	-	5,119,857	674,996	-	-	-	5,794,853	4,346,140
100%	-	1,539,175	53,353	20,871,554	71,305	279,882	-	470,504	176,679	23,462,452	23,462,452
150%	-	-	-	77,535	31,282	75,787	32,390	-	-	216,994	325,491
1250%	-	-	-	-	-	-	-	4,149	-	4,149	51,863
Total										75,479,195	37,826,954
Average Risk Weight	2%	70%	24%	90%	76%	38%	150%	77%	100%	50%	

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk**

**Table 1: Geographical distribution of loans/financing breakdown by type**

Group (RM'000)	30 Jun 2018				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	119,033	102,716	554,482	105,296	881,527
Term loans/financing					
Housing loans/financing	3,350,421	2,888,584	11,736,466	1,006,849	18,982,320
Syndicated term loan/financing	17,844	-	3,710,418	-	3,728,262
Factoring receivables	12,578	17,143	93,658	85,080	208,459
Hire purchase receivables	42,794	53,824	60,605	13,809	171,032
Lease receivables	-	-	960	-	960
Other term loans/financing	1,175,187	1,251,190	6,352,529	596,513	9,375,419
Bills receivables	91,414	157,657	1,799,642	45,640	2,094,353
Trust receipts	272,000	331,923	1,620,145	85,777	2,309,845
Claims on customers under acceptance credits	659,857	701,725	747,908	41,412	2,150,902
Staff loans/financing	13,622	6,026	72,947	4,292	96,887
Credit/charge cards	597,570	477,634	1,961,725	293,698	3,330,627
Revolving financing	206,018	358,898	7,004,477	135,685	7,705,078
Other loans/financing	3,332	1,157	5,765	1,237	11,491
	<b>6,561,670</b>	<b>6,348,477</b>	<b>35,721,727</b>	<b>2,415,288</b>	<b>51,047,162</b>

  

Group (RM'000)	31 Dec 2017				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	120,837	104,018	529,060	122,696	876,611
Term loans/financing					
Housing loans/financing	3,437,088	2,997,362	11,899,718	1,047,513	19,381,681
Syndicated term loan/financing	-	110,216	6,268,902	6,005	6,385,123
Factoring receivables	13,199	18,160	137,256	67,704	236,319
Hire purchase receivables	37,529	58,885	57,492	15,946	169,852
Lease receivables	-	-	1,379	-	1,379
Other term loans/financing	1,145,884	1,323,588	6,179,445	731,716	9,380,633
Bills receivables	52,309	158,640	2,278,293	35,019	2,524,261
Trust receipts	392,119	455,346	1,360,247	72,334	2,280,046
Claims on customers under acceptance credits	697,424	486,453	773,521	63,439	2,020,837
Staff loans/financing	15,429	7,091	79,878	4,882	107,280
Credit/charge cards	612,689	479,048	1,979,143	303,401	3,374,281
Revolving financing	154,080	214,050	5,547,801	128,997	6,044,928
Other loans/financing	2,777	1,009	5,589	1,423	10,798
	<b>6,681,364</b>	<b>6,413,866</b>	<b>37,097,724</b>	<b>2,601,075</b>	<b>52,794,029</b>

Concentration by location for loans, advances and financing is based on the location of the borrower.

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Malacca and Negeri Sembilan.

The Central region consists of the state of Selangor, the Federal Territory of Kuala Lumpur and the Federal Territory of Putrajaya.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 1: Geographical distribution of loans/financing breakdown by type (Cont'd)**

	30 Jun 2018				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	107,411	76,618	507,339	104,792	796,160
Term loans/financing					
Housing loans/financing	2,768,390	2,324,946	8,681,780	842,288	14,617,404
Syndicated term loan/financing	17,844	-	2,342,413	-	2,360,257
Factoring receivables	12,578	17,143	93,658	85,080	208,459
Other term loans/financing	751,384	749,044	3,348,107	410,503	5,259,038
Bills receivables	15,156	151,467	1,664,456	45,640	1,876,719
Trust receipts	229,516	311,852	883,978	85,777	1,511,123
Claims on customers under acceptance credits	547,830	609,443	495,984	40,098	1,693,355
Staff loans/financing	12,800	5,954	70,354	4,204	93,312
Credit/charge cards	425,929	320,557	1,400,330	248,426	2,395,242
Revolving financing	206,018	355,031	5,653,515	135,685	6,350,249
Other loans/financing	2,595	898	4,510	1,200	9,203
	<b>5,097,451</b>	<b>4,922,953</b>	<b>25,146,424</b>	<b>2,003,693</b>	<b>37,170,521</b>

	31 Dec 2017				
Bank (RM'000)	Northern	Southern	Central	Eastern	Total
Overdrafts	108,431	80,088	483,731	122,178	794,428
Term loans/financing					
Housing loans/financing	2,840,803	2,415,132	8,848,326	875,845	14,980,106
Syndicated term loan/financing	-	110,216	4,128,237	6,005	4,244,458
Factoring receivables	13,199	18,160	137,256	67,704	236,319
Other term loans/financing	763,128	764,588	3,156,899	524,091	5,208,706
Bills receivables	42,000	153,764	2,184,413	35,019	2,415,196
Trust receipts	224,506	427,457	813,667	72,334	1,537,964
Claims on customers under acceptance credits	585,032	393,637	556,479	62,775	1,597,923
Staff loans/financing	14,617	6,759	76,483	4,774	102,633
Credit/charge cards	439,060	326,327	1,424,723	258,754	2,448,864
Revolving financing	151,880	210,233	4,987,562	128,997	5,478,672
Other loans/financing	2,238	845	4,785	1,282	9,150
	<b>5,184,894</b>	<b>4,907,206</b>	<b>26,802,561</b>	<b>2,159,758</b>	<b>39,054,419</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 2: Geographical distribution of impaired loans/financing breakdown by type**

Group (RM'000)	30 Jun 2018				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	5,980	2,515	6,019	12,519	27,033
Term loans/financing					
Housing loans/financing	88,269	77,465	253,906	14,834	434,474
Hire purchase receivables	1,956	2,628	65	2,814	7,463
Other term loans/financing	42,835	26,111	334,645	23,944	427,535
Bills receivables	2,260	2,323	21,352	10	25,945
Trust receipts	3,298	-	288	-	3,586
Claims on customers under acceptance credits	4,865	1,134	4,811	7,150	17,960
Staff loans/financing	495	-	405	10	910
Credit/charge cards	5,186	4,511	12,509	2,909	25,115
Revolving financing	-	-	23,911	10,986	34,897
Other loans/financing	3,188	997	5,429	1,217	10,831
	<b>158,332</b>	<b>117,684</b>	<b>663,340</b>	<b>76,393</b>	<b>1,015,749</b>

  

Group (RM'000)	31 Dec 2017				
	Northern	Southern	Central	Eastern	Total
Overdrafts/Cash line-i	6,513	3,077	6,890	28,274	44,754
Term loans/financing					
Housing loans/financing	108,608	81,103	313,549	19,207	522,467
Hire purchase receivables	3,502	3,248	160	2,931	9,841
Other term loans/financing	38,024	13,145	229,856	85,163	366,188
Bills receivables	2,390	2,198	23,057	-	27,645
Trust receipts	3,472	-	292	-	3,764
Claims on customers under acceptance credits	9,300	6,278	4,029	2,309	21,916
Staff loans/financing	397	35	715	1	1,148
Credit/charge cards	10,867	8,482	29,862	4,780	53,991
Revolving financing	2,200	-	17,972	11,023	31,195
Other loans/financing	2,770	1,008	5,569	1,422	10,769
	<b>188,043</b>	<b>118,574</b>	<b>631,951</b>	<b>155,110</b>	<b>1,093,678</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 2: Geographical distribution of impaired loans/financing breakdown by type (Cont'd)**

	<b>30 Jun 2018</b>				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	4,209	672	2,509	12,519	19,909
Term loans/financing					
Housing loans/financing	67,438	58,200	175,315	12,566	313,519
Other term loans/financing	29,895	18,100	170,507	20,967	239,469
Bills receivables	-	-	2,794	10	2,804
Trust receipts	3,298	-	288	-	3,586
Claims on customers under acceptance credits	4,865	1,134	4,811	7,150	17,960
Staff loans/financing	112	-	405	10	527
Credit/charge cards	3,315	2,437	7,504	2,306	15,562
Revolving financing	-	-	23,911	10,986	34,897
Other loans/financing	2,491	782	4,274	1,183	8,730
	<b>115,623</b>	<b>81,325</b>	<b>392,318</b>	<b>67,697</b>	<b>656,963</b>

  

	<b>31 Dec 2017</b>				
<b>Bank (RM'000)</b>	<b>Northern</b>	<b>Southern</b>	<b>Central</b>	<b>Eastern</b>	<b>Total</b>
Overdrafts	4,693	1,208	2,935	28,274	37,110
Term loans/financing					
Housing loans/financing	77,002	60,595	206,418	15,680	359,695
Other term loans/financing	25,382	5,086	98,428	80,636	209,532
Bills receivables	-	-	6,393	-	6,393
Trust receipts	3,472	-	292	-	3,764
Claims on customers under acceptance credits	9,300	6,278	4,029	2,309	21,916
Staff loans/financing	198	-	704	-	902
Credit/charge cards	6,851	5,229	18,443	3,677	34,200
Revolving financing	-	-	17,972	11,023	28,995
Other loans/financing	2,232	844	4,765	1,281	9,122
	<b>129,130</b>	<b>79,240</b>	<b>360,379</b>	<b>142,880</b>	<b>711,629</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 3: Residual contractual maturity of loans/financing breakdown by type**

<b>30 Jun 2018</b>					
<b>Group (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts/Cash line-i	881,527	-	-	-	881,527
Term loans/financing					
Housing loans/financing	82,514	60,202	163,603	18,676,001	18,982,320
Syndicated term loan/financing	2,798,952	378,815	408,045	142,450	3,728,262
Factoring receivables	208,459	-	-	-	208,459
Hire purchase receivables	14,675	66,737	89,620	-	171,032
Lease receivables	153	807	-	-	960
Other term loans/financing	2,105,943	1,998,687	1,468,922	3,801,867	9,375,419
Bills receivables	2,094,353	-	-	-	2,094,353
Trust receipts	2,309,845	-	-	-	2,309,845
Claims on customers under acceptance credits	2,150,902	-	-	-	2,150,902
Staff loans/financing	1,699	8,303	17,675	69,210	96,887
Credit/charge cards	3,330,627	-	-	-	3,330,627
Revolving financing	7,705,078	-	-	-	7,705,078
Other loans/financing	11,491	-	-	-	11,491
	<b>23,696,218</b>	<b>2,513,551</b>	<b>2,147,865</b>	<b>22,689,528</b>	<b>51,047,162</b>

<b>31 Dec 2017</b>					
<b>Group (RM'000)</b>	<b>Maturing within one year</b>	<b>One year to three years</b>	<b>Three years to five years</b>	<b>Over five years</b>	<b>Total</b>
Overdrafts/Cash line-i	876,611	-	-	-	876,611
Term loans/financing					
Housing loans/financing	90,390	63,486	166,214	19,061,591	19,381,681
Syndicated term loan/financing	4,881,990	836,711	581,296	85,126	6,385,123
Factoring receivables	236,319	-	-	-	236,319
Hire purchase receivables	21,476	64,609	83,767	-	169,852
Lease receivables	10	1,369	-	-	1,379
Other term loans/financing	2,045,158	1,935,406	1,708,753	3,691,316	9,380,633
Bills receivables	2,524,261	-	-	-	2,524,261
Trust receipts	2,280,046	-	-	-	2,280,046
Claims on customers under acceptance credits	2,020,837	-	-	-	2,020,837
Staff loans/financing	1,694	9,632	19,790	76,164	107,280
Credit/charge cards	3,374,281	-	-	-	3,374,281
Revolving financing	6,044,928	-	-	-	6,044,928
Other loans/financing	10,798	-	-	-	10,798
	<b>24,408,799</b>	<b>2,911,213</b>	<b>2,559,820</b>	<b>22,914,197</b>	<b>52,794,029</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 3: Residual contractual maturity of loans/financing breakdown by type (Cont'd)**

30 Jun 2018					
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	796,160	-	-	-	796,160
Term loans/financing					
Housing loans/financing	71,353	57,041	149,351	14,339,659	14,617,404
Syndicated term loan/financing	1,835,708	55,562	408,045	60,942	2,360,257
Factoring receivables	208,459	-	-	-	208,459
Other term loans/financing	1,141,355	841,280	1,005,189	2,271,214	5,259,038
Bills receivables	1,876,719	-	-	-	1,876,719
Trust receipts	1,511,123	-	-	-	1,511,123
Claims on customers under acceptance credits	1,693,355	-	-	-	1,693,355
Staff loans/financing	1,597	7,907	16,799	67,009	93,312
Credit/charge cards	2,395,242	-	-	-	2,395,242
Revolving financing	6,350,249	-	-	-	6,350,249
Other loans/financing	9,203	-	-	-	9,203
	<b>17,890,523</b>	<b>961,790</b>	<b>1,579,384</b>	<b>16,738,824</b>	<b>37,170,521</b>

31 Dec 2017					
Bank (RM'000)	Maturing within one year	One year to three years	Three years to five years	Over five years	Total
Overdrafts	794,428	-	-	-	794,428
Term loans/financing					
Housing loans/financing	78,688	60,251	151,173	14,689,994	14,980,106
Syndicated term loan/financing	3,150,755	512,407	581,296	-	4,244,458
Factoring receivables	236,319	-	-	-	236,319
Other term loans/financing	808,469	1,347,158	906,928	2,146,151	5,208,706
Bills receivables	2,415,196	-	-	-	2,415,196
Trust receipts	1,537,964	-	-	-	1,537,964
Claims on customers under acceptance credits	1,597,923	-	-	-	1,597,923
Staff loans/financing	1,626	9,254	18,549	73,204	102,633
Credit/charge cards	2,448,864	-	-	-	2,448,864
Revolving financing	5,478,672	-	-	-	5,478,672
Other loans/financing	9,150	-	-	-	9,150
	<b>18,558,054</b>	<b>1,929,070</b>	<b>1,657,946</b>	<b>16,909,349</b>	<b>39,054,419</b>

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)

3) Credit Risk (Cont'd)

Table 4: Distribution of loans/financing by sector, breakdown by type

	30 Jun 2018														
	Group (RM'000)														
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	28,587	-	-	-	4,583	-	106,986	-	-	34,480	-	44	170,690	2	345,372
Mining and quarrying	6,113	-	-	452	9,704	-	201,509	-	4,169	1,489	-	94	107,414	10	330,954
Manufacturing	356,584	-	761,049	146,673	89,873	-	1,679,035	480,944	985,492	1,264,668	-	4,384	1,032,048	976	6,801,726
Electricity, gas and water	3,836	-	-	-	153	-	116,800	854	13,054	6,737	-	19	2,511	-	143,964
Construction	55,750	-	19,056	-	9,317	-	1,162,599	152,043	126,647	47,619	-	637	1,365,769	95	2,939,532
Real estate	7,032	-	1,692,286	-	-	-	1,255,239	-	91,228	-	-	16	290,160	32	3,335,993
Wholesale & retail trade and restaurants & hotels	112,045	-	17,203	51,931	9,483	-	423,476	307,345	897,679	761,338	-	1,369	1,343,707	721	3,926,297
Transport, storage and communication	14,300	-	-	1,843	26,713	-	105,625	30,235	11,745	13,910	-	295	227,062	14	431,742
Finance, insurance/takaful and business services	141,714	-	159,895	7,560	10,057	960	689,795	95,811	55,729	18,713	-	2,859	2,610,805	1,370	3,795,268
Household-retail	137,759	18,982,320	-	-	-	-	2,888,149	-	-	-	96,887	3,320,283	-	8,262	25,433,660
Others	17,807	-	1,078,773	-	11,149	-	746,206	1,027,121	124,102	1,948	-	627	554,912	9	3,562,654
	<b>881,527</b>	<b>18,982,320</b>	<b>3,728,262</b>	<b>208,459</b>	<b>171,032</b>	<b>960</b>	<b>9,375,419</b>	<b>2,094,353</b>	<b>2,309,845</b>	<b>2,150,902</b>	<b>96,887</b>	<b>3,330,627</b>	<b>7,705,078</b>	<b>11,491</b>	<b>51,047,162</b>

	31 Dec 2017														
	Group (RM'000)														
Overdraft/ Cash line-i	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Hire purchase receivables	Lease receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	36,789	-	512,407	-	5,552	-	209,577	6,664	-	43,685	-	79	170,673	-	985,426
Mining and quarrying	6,444	-	-	402	433	-	84,904	-	13,124	23,962	-	89	111,377	-	240,735
Manufacturing	331,253	-	806,723	172,505	91,514	-	1,464,157	391,221	1,072,605	1,292,227	-	2,985	953,313	1,082	6,579,585
Electricity, gas and water	2,357	-	-	-	189	-	48,698	925	13,122	7,660	-	18	-	-	72,969
Construction	53,029	-	164,941	-	12,305	-	1,268,920	171,082	76,493	28,105	-	432	1,221,605	95	2,997,007
Real estate	6,604	-	1,887,901	-	-	-	1,479,793	34,668	47,745	-	-	71	578,709	23	4,035,514
Wholesale & retail trade and restaurants & hotels	129,782	-	136,025	44,532	12,752	-	544,488	407,878	864,330	587,461	-	973	1,170,135	557	3,898,913
Transport, storage and communication	17,584	-	747,197	9,100	20,138	-	108,414	3,284	25,583	13,030	-	263	159,442	14	1,104,049
Finance, insurance/takaful and business services	126,393	-	1,002,784	9,780	11,866	1,379	772,389	38,984	48,402	23,811	-	3,254	1,130,812	1,806	3,171,660
Household-retail	149,270	19,381,681	-	-	-	-	2,993,019	-	-	-	107,280	3,365,563	-	7,196	26,004,009
Others	17,106	-	1,127,145	-	15,103	-	406,274	1,469,555	118,642	896	-	554	548,862	25	3,704,162
	<b>876,611</b>	<b>19,381,681</b>	<b>6,385,123</b>	<b>236,319</b>	<b>169,852</b>	<b>1,379</b>	<b>9,380,633</b>	<b>2,524,261</b>	<b>2,280,046</b>	<b>2,020,837</b>	<b>107,280</b>	<b>3,374,281</b>	<b>6,044,928</b>	<b>10,798</b>	<b>52,794,029</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 4: Distribution of loans/financing by sector, breakdown by type ( Cont'd)**

30 Jun 2018													
Bank (RM'000)													
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	26,809	-	-	-	66,608	-	-	30,979	-	44	170,690	-	295,130
Mining and quarrying	4,631	-	-	452	2	-	4,169	1,489	-	94	107,414	-	118,251
Manufacturing	331,200	-	399,960	146,673	1,052,491	391,448	905,603	1,041,046	-	4,384	927,130	974	5,200,909
Electricity, gas and water	2,508	-	-	-	10,448	854	2,283	1,763	-	19	2,511	-	20,386
Construction	49,277	-	19,056	-	934,885	99,518	98,169	36,083	-	637	1,140,913	95	2,378,633
Real estate	7,032	-	1,302,720	-	1,021,503	-	91,228	-	-	16	290,160	32	2,712,691
Wholesale & retail trade and restaurants & hotels	92,585	-	-	51,931	240,977	288,078	329,872	569,206	-	1,369	1,269,338	569	2,843,925
Transport, storage and communication	14,062	-	-	1,843	16,885	30,235	632	3,904	-	295	216,876	14	284,746
Finance, insurance/takaful and business services	113,956	-	-	7,560	340,735	82,287	51,245	8,188	-	2,859	1,815,160	1,314	2,423,304
Household-retail	137,742	14,617,404	-	-	1,508,920	-	-	-	93,312	2,384,898	-	6,205	18,748,481
Others	16,358	-	638,521	-	65,584	984,299	27,922	697	-	627	410,057	-	2,144,065
	<b>796,160</b>	<b>14,617,404</b>	<b>2,360,257</b>	<b>208,459</b>	<b>5,259,038</b>	<b>1,876,719</b>	<b>1,511,123</b>	<b>1,693,355</b>	<b>93,312</b>	<b>2,395,242</b>	<b>6,350,249</b>	<b>9,203</b>	<b>37,170,521</b>

31 Dec 2017													
Bank (RM'000)													
Overdraft	Housing loans/ financing	Syndicated term loans/financing	Factoring receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total	
Agricultural, hunting, forestry and fishing	35,961	-	512,407	-	125,170	6,664	-	37,054	-	79	170,673	-	888,008
Mining and quarrying	5,064	-	-	402	3	-	3,462	23,962	-	89	111,377	-	144,359
Manufacturing	308,348	-	438,956	172,505	768,830	370,276	871,930	1,088,757	-	2,985	890,143	1,065	4,913,795
Electricity, gas and water	1,312	-	-	-	4,457	925	223	2,764	-	18	-	-	9,699
Construction	45,797	-	139,006	-	1,095,187	156,847	63,965	15,544	-	432	1,048,001	95	2,564,874
Real estate	6,269	-	1,316,729	-	1,007,668	34,668	47,745	-	-	71	548,501	23	2,961,674
Wholesale & retail trade and restaurants & hotels	112,480	-	110,217	44,532	358,114	398,348	476,580	414,521	-	973	1,077,976	407	2,994,148
Transport, storage and communication	17,297	-	340,992	9,100	33,234	3,284	693	530	-	263	149,260	14	554,667
Finance, insurance/takaful and business services	97,407	-	752,088	9,780	154,413	26,481	43,360	14,738	-	3,254	1,074,735	1,800	2,178,056
Household-retail	149,260	14,980,106	-	-	1,587,182	-	-	-	102,633	2,440,146	-	5,722	19,265,049
Others	15,233	-	634,063	-	74,448	1,417,703	30,006	53	-	554	408,006	24	2,580,090
	<b>794,428</b>	<b>14,980,106</b>	<b>4,244,458</b>	<b>236,319</b>	<b>5,208,706</b>	<b>2,415,196</b>	<b>1,537,964</b>	<b>1,597,923</b>	<b>102,633</b>	<b>2,448,864</b>	<b>5,478,672</b>	<b>9,150</b>	<b>39,054,419</b>



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 5: Distribution of impaired loans/financing by sector, breakdown by type**

Overdraft/ Cash line-i	30 Jun 2018 Group (RM'000)										
	Housing loans/ financing	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Mining and quarrying	-	-	710	-	-	-	-	-	-	10	720
Manufacturing	12,934	3,039	1,760	6,940	3,297	170	-	-	10,986	976	40,102
Construction	192	-	7,312	-	-	-	-	-	-	95	7,599
Real estate	635	-	13,488	-	-	-	-	-	-	32	14,155
Wholesale & retail trade and restaurants & hotels	5,626	-	9,577	4,332	-	17,520	-	116	-	720	37,891
Transport, storage and communication	-	4,267	-	-	-	-	-	-	17,800	14	22,081
Finance, insurance/takaful and business services	4,195	157	14,587	13,962	244	-	-	-	-	1,370	34,515
Household-retail	2,675	434,474	380,101	-	-	-	910	24,999	-	7,605	850,764
Others	776	-	-	711	45	270	-	-	6,111	9	7,922
	<b>27,033</b>	<b>434,474</b>	<b>7,463</b>	<b>427,535</b>	<b>25,945</b>	<b>3,586</b>	<b>17,960</b>	<b>910</b>	<b>25,115</b>	<b>34,897</b>	<b>1,015,749</b>

Overdraft/ Cash line-i	31 Dec 2017 Group (RM'000)										
	Housing loans/ financing	Hire purchase receivables	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	12,068	-	46,140	-	-	-	-	-	-	-	58,208
Manufacturing	13,380	5,130	11,666	7,036	3,471	3,799	-	-	13,223	1,081	58,786
Construction	850	-	9,275	-	65	21	-	-	-	95	10,306
Real estate	-	-	1,085	-	-	-	-	-	-	23	1,108
Wholesale & retail trade and restaurants & hotels	9,046	-	11,945	2,164	-	18,096	-	21	-	557	41,829
Transport, storage and communication	-	4,549	-	-	-	-	-	-	17,800	14	22,363
Finance, insurance/takaful and business services	3,777	162	14,985	17,734	228	-	-	-	-	1,806	38,692
Household-retail	4,787	522,467	270,327	-	-	-	1,148	53,970	-	7,168	859,867
Others	846	-	-	711	-	-	-	-	172	25	1,754
	<b>44,754</b>	<b>522,467</b>	<b>9,841</b>	<b>366,188</b>	<b>27,645</b>	<b>3,764</b>	<b>21,916</b>	<b>1,148</b>	<b>53,991</b>	<b>31,195</b>	<b>1,093,678</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 5: Distribution of impaired loans/financing by sector, breakdown by type ( Cont'd)**

30 Jun 2018  
Bank (RM'000)

	Overdraft	Housing loans/ financing	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Manufacturing	11,582	-	-	-	3,297	170	-	-	10,986	974	27,009
Construction	192	-	7,312	-	-	-	-	-	-	95	7,599
Real estate	635	-	13,488	-	-	-	-	-	-	32	14,155
Wholesale & retail trade and restaurants & hotels	4,040	-	5,164	10	-	17,520	-	116	-	568	27,418
Transport, storage and communication	-	-	-	-	-	-	-	-	17,800	14	17,814
Finance, insurance/takaful and business services	785	-	695	2,794	244	-	-	-	-	1,314	5,832
Household-retail	2,675	313,519	212,810	-	-	-	527	15,446	-	5,733	550,710
Others	-	-	-	-	45	270	-	-	6,111	-	6,426
	<b>19,909</b>	<b>313,519</b>	<b>239,469</b>	<b>2,804</b>	<b>3,586</b>	<b>17,960</b>	<b>527</b>	<b>15,562</b>	<b>34,897</b>	<b>8,730</b>	<b>656,963</b>

31 Dec 2017  
Bank (RM'000)

	Overdraft	Housing loans/ financing	Other term loans/financing	Bills receivables	Trust receipts	Claims on customers under acceptance credits	Staff loans/ financing	Credit/ charge cards	Revolving financing	Other loans/ financing	Total
Agricultural, hunting, forestry and fishing	12,068	-	46,140	-	-	-	-	-	-	-	58,208
Manufacturing	12,000	-	9,618	-	3,471	3,799	-	-	11,023	1,064	40,975
Construction	850	-	9,275	-	65	21	-	-	-	95	10,306
Real estate	-	-	1,085	-	-	-	-	-	-	23	1,108
Wholesale & retail trade and restaurants & hotels	7,248	-	6,647	-	-	18,096	-	21	-	407	32,419
Transport, storage and communication	-	-	-	-	-	-	-	-	17,800	14	17,814
Finance, insurance/takaful and business services	89	-	872	6,393	228	-	-	-	-	1,800	9,382
Household-retail	4,785	359,695	135,895	-	-	-	902	34,179	-	5,695	541,151
Others	70	-	-	-	-	-	-	-	172	24	266
	<b>37,110</b>	<b>359,695</b>	<b>209,532</b>	<b>6,393</b>	<b>3,764</b>	<b>21,916</b>	<b>902</b>	<b>34,200</b>	<b>28,995</b>	<b>9,122</b>	<b>711,629</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 6: All past due loans/financing breakdown by sector <sup>[1]</sup>**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Agricultural, hunting, forestry and fishing	6,646	246,724	6,414	246,724
Mining and quarrying	2,723	2,496	2,003	-
Manufacturing	97,612	231,798	62,159	173,679
Electricity, gas and water	93	-	93	-
Construction	21,877	43,684	17,538	43,684
Real estate	50,846	4,696	34,503	4,696
Wholesale & retail trade and restaurants & hotels	50,605	168,119	39,275	137,413
Transport, storage and communication	22,300	90,351	18,021	75,507
Finance, insurance/takaful and business services	81,404	135,409	-	39,767
Household-retail	3,430,488	3,333,762	2,438,618	2,293,753
Others	10,248	5,983	7,952	1,127
	<b>3,774,842</b>	<b>4,263,022</b>	<b>2,626,576</b>	<b>3,016,350</b>

**Table 7: All past due loans/financing breakdown by geographical location <sup>[1]</sup>**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Northern region	596,452	739,578	457,786	547,338
Southern region	555,138	464,223	399,000	335,871
Central region	2,373,494	2,413,694	1,562,897	1,527,522
Eastern region	249,758	645,527	206,893	605,619
	<b>3,774,842</b>	<b>4,263,022</b>	<b>2,626,576</b>	<b>3,016,350</b>

<sup>[1]</sup> Of which the portion of impaired loans breakdown by sector and geographical location is disclosed in Note 20 (iv) and 20 (vi) of the unaudited condensed interim financial statements at 30 June 2018 respectively.

**Table 8: Individual impairment allowance breakdown by sector**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Agricultural, hunting, forestry and fishing	-	1,613	-	1,613
Manufacturing	-	25,290	-	14,791
Construction	-	5,782	-	5,782
Wholesale & retail trade and restaurants & hotels	-	23,429	-	18,663
Transport, storage and communication	-	16,935	-	12,394
Finance, insurance/takaful and business services	-	23,251	-	4,141
Household-retail	-	197,626	-	123,091
Others	-	1,613	-	165
	<b>-</b>	<b>295,539</b>	<b>-</b>	<b>180,640</b>

**Table 8a: Collective impairment allowance breakdown by sector**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Agricultural, hunting, forestry and fishing	-	5	-	-
Manufacturing	-	95,862	-	41,932
Electricity, gas and water	-	32,085	-	16,454
Construction	-	198	-	45
Real estate	-	30,080	-	24,927
Wholesale & retail trade and restaurants & hotels	-	2,873	-	1,323
Transport, storage and communication	-	61	-	36
Household-retail	-	348,678	-	185,869
Others	-	8,994	-	7,342
	<b>-</b>	<b>518,836</b>	<b>-</b>	<b>277,928</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 8b: Impairment allowance breakdown by sector**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Agricultural, hunting, forestry and fishing	533	-	387	-
Mining and quarrying	88	-	84	-
Manufacturing	18,715	-	9,103	-
Electricity, gas and water	297	-	50	-
Construction	8,130	-	7,538	-
Real estate	29,340	-	9,465	-
Wholesale & retail trade and restaurants & hotels	28,498	-	23,370	-
Transport, storage and communication	17,834	-	13,121	-
Finance, insurance/takaful and business services	1,691	-	111	-
Household-retail	575,817	-	310,996	-
Others	9,759	-	5,139	-
	<b>690,702</b>	<b>-</b>	<b>379,364</b>	<b>-</b>

**Table 9: Individual impairment allowance breakdown by geographical location**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Northern region	-	20,858	-	14,590
Southern region	-	12,999	-	7,067
Central region	-	246,156	-	146,667
Eastern region	-	15,526	-	12,316
	<b>-</b>	<b>295,539</b>	<b>-</b>	<b>180,640</b>

**Table 9a: Collective impairment allowance breakdown by geographical location**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Northern region	-	71,616	-	42,313
Southern region	-	63,662	-	36,091
Central region	-	355,809	-	181,344
Eastern region	-	27,749	-	18,180
	<b>-</b>	<b>518,836</b>	<b>-</b>	<b>277,928</b>

**Table 9b: Impairment allowance breakdown by geographical location**

	Group (RM'000)		Bank (RM'000)	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Northern region	88,140	-	56,861	-
Southern region	68,823	-	35,885	-
Central region	493,140	-	257,395	-
Eastern region	40,599	-	29,223	-
	<b>690,702</b>	<b>-</b>	<b>379,364</b>	<b>-</b>

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 21 (i) of the unaudited condensed interim financial statements at 30 June 2018.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**Table 10: Charges for individual impairment allowance during the period breakdown by sector**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2018</b>	30 Jun 2017	<b>30 Jun 2018</b>	30 Jun 2017
Manufacturing	-	4,153	-	3,126
Construction	-	1,786	-	1,786
Wholesale & retail trade and restaurants & hotels	-	10,291	-	9,569
Transport, storage and communication	-	13,113	-	13,113
Finance, insurance/takaful and business services	-	11,660	-	19
Household-retail	-	59,147	-	38,981
	<b>-</b>	<b>100,150</b>	<b>-</b>	<b>66,594</b>

**Table 10a: Charges for write-offs of individual impairment allowance during the period breakdown by sector**

	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2018</b>	30 Jun 2017	<b>30 Jun 2018</b>	30 Jun 2017
Manufacturing	-	4	-	2
Construction	-	80	-	-
Wholesale & retail trade and restaurants & hotels	-	12,779	-	12,624
Household-retail	-	5,239	-	2,983
	<b>-</b>	<b>18,102</b>	<b>-</b>	<b>15,609</b>

**Table 10b: Net impairment allowance in profit or loss during the period breakdown by sector**

<i>(Release) / Charges</i>	<b>Group (RM'000)</b>		<b>Bank (RM'000)</b>	
	<b>30 Jun 2018</b>	30 Jun 2017	<b>30 Jun 2018</b>	30 Jun 2017
Agricultural, hunting, forestry and fishing	<b>(2,401)</b>	-	<b>(2,414)</b>	-
Mining and quarrying	<b>(2)</b>	-	<b>(1)</b>	-
Manufacturing	<b>(1,225)</b>	-	<b>551</b>	-
Electricity, gas and water	<b>102</b>	-	<b>42</b>	-
Construction	<b>244</b>	-	<b>197</b>	-
Real estate	<b>1,935</b>	-	<b>2,137</b>	-
Wholesale & retail trade and restaurants & hotels	<b>11,692</b>	-	<b>10,051</b>	-
Transport, storage and communication	<b>(231)</b>	-	<b>170</b>	-
Finance, insurance/takaful and business services	<b>844</b>	-	<b>13</b>	-
Household-retail	<b>52,385</b>	-	<b>11,848</b>	-
Others	<b>6,356</b>	-	<b>4,292</b>	-
	<b>69,699</b>	<b>-</b>	<b>26,886</b>	<b>-</b>

The reconciliation of changes in the loan/financing impairment provisions is disclosed in Note 35 (i) of the unaudited condensed interim financial statements at 30 June 2018.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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**3) Credit Risk (Cont'd)**

**i) External Credit Assessment Institutions (ECAIs)**

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties.

ECAIs are used by the Group and the Bank as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns and Central Banks
- Multilateral development banks
- Public sector entities
- Corporates
- Banks
- Securities firms

For the purpose of Pillar 1 reporting to BNM, the Group uses the external credit ratings from the following ECAIs:

- Standard & Poor's Rating Services (S&P)
- Moody's Investors Services (Moody's)
- Fitch Ratings (Fitch)
- RAM Rating Services Berhad (RAM)
- Malaysian Rating Corporation Berhad (MARC)

Data files of external ratings from the nominated ECAIs are matched with the customer records in the Group's centralised credit database. When calculating the risk-weighted value of any exposure under the standardised approach, the customer in question is identified and matched to a rating, according to BNM's selection rules. The relevant risk weight is then derived using the BNM's prescribed risk weights and rating categories. All other exposure classes are assigned risk weightings as prescribed in the BNM Capital Adequacy Framework (Basel II-Risk-Weighted Assets).

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

Below are the summary tables of long and short term ratings governing the high level assignment of risk weights under the standardised approach:

Long Term Rating Category		1	2	3	4	5	6	7
Rating Agency	S & P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to Ba3	B1 to B3	Caa1 and below	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ and below	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to BB3	B1 to B3	C1 and below	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	C+ and below	Unrated

Short Term Rating Category		1	2	3	4	5
Rating Agency	S & P	A-1	A-2	A-3	Others	Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated

Risk Weights Based on Credit Rating of the Counterparty Exposure Class						
Rating Category	Long Term Rating					Short Term Rating
	Sovereigns and Central Banks	Corporates	Banking Institutions			
			Risk weight (original maturity greater than 6 months)	Risk weight (original maturity of 6 months or less)	Risk weight (original maturity of 3 months or less)	
1	0%	20%	20%	20%	20%	20%
2	20%	50%	50%	20%	20%	50%
3	50%	100%	50%	20%	20%	100%
4	100%	100%	100%	50%	20%	150%
5	100%	150%	100%	50%	20%	N/A
6	150%	150%	150%	150%	20%	N/A
7	100%	100%	50%	20%	20%	N/A

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

Risk weights under the Standardised Approach at the reporting date are reflected in page 5 to 8. Rated and unrated exposures according to ratings by ECAIs at reporting date are as follows:-

**30 Jun 2018**

**Group (RM '000)**

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	639,724	10,484,645	-	-	-	-		11,124,369
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	30,000	278,606	703,915	-	-	-		1,012,521
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	1,752,133	1,505,139	424,208	3,799	51,965	-		3,737,244
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	15,133	-	-	-	-		15,133
- Exposures risk-weighted using ratings of Banking Institutions	11,611	3,350	-	-	-	-		14,961
- Exposures risk-weighted using ratings of Corporates	2,102,997	1,407,617	159,404	-	-	-		3,670,018
	4,536,465	13,694,490	1,287,527	3,799	51,965	-	-	19,574,246
<b>(ii) Total unrated exposures</b>								
							62,994,600	62,994,600
<b>Total Long Term Exposure</b>	<b>4,536,465</b>	<b>13,694,490</b>	<b>1,287,527</b>	<b>3,799</b>	<b>51,965</b>	<b>-</b>	<b>62,994,600</b>	<b>82,568,846</b>



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAs (Cont'd)**

**30 Jun 2018**

**Group (RM '000)**

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	11,893,518	-	-		11,893,518
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	150,000	-	-	-		150,000
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	903,206	410,193	37,882	-		1,351,281
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	577,306	418,892	38,140	-		1,034,338
	1,630,512	12,722,603	76,022	-	-	14,429,137
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>1,630,512</b>	<b>12,722,603</b>	<b>76,022</b>	<b>-</b>	<b>-</b>	<b>14,429,137</b>
Group Total Long Term and Short Term Exposure :						<b>96,997,983</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2017

Group (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	371,628	9,226,172	-	-	-	-	-	9,597,800
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	30,000	177,671	1,643,206	-	-	-	-	1,850,877
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	1,708,436	3,218,493	297,119	34,089	32,504	-	-	5,290,641
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	14,835	-	-	-	-	-	14,835
- Exposures risk-weighted using ratings of Banking Institutions	11,432	4,000	-	-	-	-	-	15,432
- Exposures risk-weighted using ratings of Corporates	2,484,489	1,070,270	661,354	-	-	-	-	4,216,113
	4,605,985	13,711,441	2,601,679	34,089	32,504	-	-	20,985,698
<b>(ii) Total unrated exposures</b>							63,203,340	63,203,340
<b>Total Long Term Exposure</b>	4,605,985	13,711,441	2,601,679	34,089	32,504	-	63,203,340	84,189,038

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2017  
Group (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	10,679,125	-	-		10,679,125
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	271,530	-	-	-		271,530
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	1,227,520	841,042	59,693	-		2,128,255
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	520,811	191,091	55,164	-		767,066
	2,019,861	11,711,258	114,857	-	-	13,845,976
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	2,019,861	11,711,258	114,857	-	-	13,845,976
<b>Group Total Long Term and Short Term Exposure :</b>						98,035,014

*Note:*

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

**30 Jun 2018**

**Bank (RM '000)**

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	639,724	7,947,826	-	-	-	-	-	8,587,550
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	30,000	278,606	380,662	-	-	-	-	689,268
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	2,230,453	1,090,841	194,107	3,799	51,965	-	-	3,571,165
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	6,321	-	-	-	-	-	6,321
- Exposures risk-weighted using ratings of Banking Institutions	8,902	3,350	-	-	-	-	-	12,252
- Exposures risk-weighted using ratings of Corporates	1,676,818	1,398,488	116,147	-	-	-	-	3,191,453
	4,585,897	10,725,432	690,916	3,799	51,965	-	-	16,058,009
<b>(ii) Total unrated exposures</b>								
							47,950,939	47,950,939
<b>Total Long Term Exposure</b>	<b>4,585,897</b>	<b>10,725,432</b>	<b>690,916</b>	<b>3,799</b>	<b>51,965</b>	<b>-</b>	<b>47,950,939</b>	<b>64,008,948</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

**30 Jun 2018**

**Bank (RM '000)**

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	9,276,775	-	-		9,276,775
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	1,892,507	409,155	36,943	-		2,338,605
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	392,426	1,000	-	-		393,426
	2,284,933	9,686,930	36,943	-	-	12,008,806
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	<b>2,284,933</b>	<b>9,686,930</b>	<b>36,943</b>	<b>-</b>	<b>-</b>	<b>12,008,806</b>
<b>Bank Total Long Term and Short Term Exposure :</b>						<b>76,017,754</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2017  
Bank (RM '000)

Exposure Class	Long Term Rating Category							Total
	1	2	3	4	5	6	7	
<b>On and Off Balance Sheet Exposures</b>								
<b>(i) Total rated exposures</b>								
<b>Sovereigns &amp; Central Banks</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	363,559	6,800,895	-	-	-	-	-	7,164,454
<b>PSEs</b>								
- Exposures risk-weighted using ratings of Corporates	30,000	177,671	879,480	-	-	-	-	1,087,151
<b>Banks, DFIs &amp; MDBs</b>								
- Exposures risk-weighted using ratings of Banking Institutions	2,774,939	2,677,352	255,195	34,089	32,504	-	-	5,774,079
<b>Corporates</b>								
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	6,199	-	-	-	-	-	6,199
- Exposures risk-weighted using ratings of Banking Institutions	8,704	4,000	-	-	-	-	-	12,704
- Exposures risk-weighted using ratings of Corporates	2,044,080	1,052,903	636,944	-	-	-	-	3,733,927
	5,221,282	10,719,020	1,771,619	34,089	32,504	-	-	17,778,514
<b>(ii) Total unrated exposures</b>								
							48,274,099	48,274,099
<b>Total Long Term Exposure</b>	<b>5,221,282</b>	<b>10,719,020</b>	<b>1,771,619</b>	<b>34,089</b>	<b>32,504</b>	<b>-</b>	<b>48,274,099</b>	<b>66,052,613</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**i) ECAIs (Cont'd)**

31 Dec 2017  
Bank (RM '000)

Exposure Class	Short Term Rating Category					Total
	1	2	3	4	5	
<b>On and Off Balance Sheet Exposures</b>						
<b>(i) Total rated exposures</b>						
<b>Sovereigns &amp; Central Banks</b>						
- Exposures risk-weighted using ratings of Sovereigns and Central Banks	-	9,404,189	-	-		9,404,189
<b>PSEs</b>						
- Exposures risk-weighted using ratings of Corporates	121,530	-	-	-		121,530
<b>Banks, DFIs &amp; MDBs</b>						
- Exposures risk-weighted using ratings of Banking Institutions	3,782,550	839,102	59,515	-		4,681,167
<b>Corporates</b>						
- Exposures risk-weighted using ratings of Corporates	363,912	1,001	-	-		364,913
	4,267,992	10,244,292	59,515	-	-	14,571,799
<b>(ii) Total unrated exposures</b>						
					-	-
<b>Total Short Term Exposure</b>	4,267,992	10,244,292	59,515	-	-	14,571,799
<b>Bank Total Long Term and Short Term Exposure :</b>						80,624,412

*Note:*

MDBs - Multilateral Development Banks  
DFIs - Development Financial Institutions  
PSEs - Public Sector Entities

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **3) Credit Risk (Cont'd)**

#### **ii) Credit Risk Mitigation (CRM)**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group's policy when granting credit facilities is on the basis of the customer's capacity to repay, rather than placing primary reliance on credit risk mitigants. Depending on the customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management in the Group and takes many forms.

The Group's general policy is to promote the use of CRM, justified by commercial prudence and good practice as well as capital efficiency. Specific, detailed policies cover acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigants, for example in the form of collateral security, and these policies, together with the determination of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. The principal collateral types employed by the Group are as follows:

- under the residential and real estate business; mortgages over residential and financed properties;
- under certain Islamic specialised financing and leasing transactions (such as machinery financing) where physical assets form the principal source of facility repayment, physical collateral is typically taken;
- in the commercial and industrial sectors, charges over business assets such as premises, stock and debtors;
- facilities provided to small and medium enterprises are commonly granted against guarantees by their owners/directors;
- guarantees from third parties can arise where facilities are extended without the benefit of any alternative form of security; e.g. where the Group issues a bid or performance sukuk in favour of a non-customer at the request of another bank;
- under the institutional sector, certain trading facilities are supported by charges over financial instruments such as cash, debt securities and equities;
- financial collateral in the form of cash and marketable securities are used in much of the over-the-counter (OTC) derivatives activities and in the Group's securities financing business (securities lending and borrowing or repos and reverse repos); and
- netting is used where appropriate, and supported by market standard documentation.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt of cash, securities or equities. Daily settlement limits are established for counterparties to cover the aggregate of all the settlement risk arising from all the transactions involved on a single day. Settlement risk on many transactions, particularly those involving securities and equities, is substantially mitigated by settling through assured payment systems or on a delivery-versus-payment basis.

Policies and procedures govern the protection of the Group's position from the outset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over the integrity, current valuation and, if necessary, realisation of collateral security.

The valuation of credit risk mitigants seeks to monitor and ensure that they will continue to provide the secured repayment source anticipated at the time they were taken. The Group's policy prescribes valuation at intervals of up to three years, or more frequently as the need may arise, for impaired accounts. For property taken as collateral for new or additional facilities, a valuation report is required from a panel valuer. For auction purposes, full valuations are compulsory. This is to avoid the risk of the settlement sum being challenged by the borrower/charger on the grounds that the correct valuation was not applied.

The appointment of panel valuers is conducted via Vendor Risk Management whereby due diligence is undertaken in accordance with Suppliers Risk Management and Third Party Associated Persons Bribery Risk Assessment and Due Diligence Policy at the origination of the relationship in accordance with Group Third Party Risk Management Policy.



**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows the on and off balance sheet exposures before and after CRM.

**30 Jun 2018**

**Group (RM'000)**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b><u>Credit Risk</u></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	22,616,287	-	-	-
PSEs	2,014,649	-	-	-
Banks, DFIs & MDBs	2,634,338	-	443,689	-
Corporates	22,020,201	262,015	691,950	-
Regulatory Retail	5,607,499	14,677	90,808	-
Residential Mortgages	19,620,604	-	17,600	-
Higher Risk Assets	19,038	-	-	-
Other Assets	839,449	-	-	-
Equity Exposure	186,737	-	-	-
Defaulted Exposures	556,178	11,681	5,489	-
<b>Total for On-Balance Sheet Exposures</b>	<b>76,114,980</b>	<b>288,373</b>	<b>1,249,536</b>	<b>-</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,297,663	-	280,048	1,546,138
Off balance sheet exposures other than OTC derivatives or credit derivatives	16,579,506	402,189	359,265	-
Defaulted Exposures	5,834	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>20,883,003</b>	<b>402,189</b>	<b>639,313</b>	<b>1,546,138</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>96,997,983</b>	<b>690,562</b>	<b>1,888,849</b>	<b>1,546,138</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows on and off balance sheet exposures before and after CRM.

31 Dec 2017

Group (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b><u>Credit Risk</u></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	20,095,774	-	-	-
PSEs	2,791,432	-	-	-
Banks, DFIs & MDBs	4,188,627	-	1,585,647	-
Corporates	21,851,696	220,491	842,975	-
Regulatory Retail	5,786,585	20,220	103,179	-
Residential Mortgages	19,943,787	-	19,314	-
Higher Risk Assets	24,989	-	-	-
Other Assets	802,211	-	-	-
Equity Exposure	176,679	-	-	-
Defaulted Exposures	644,982	10,780	14,556	-
<b>Total for On-Balance Sheet Exposures</b>	<b>76,306,762</b>	<b>251,491</b>	<b>2,565,671</b>	<b>-</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,634,468	-	893,859	1,464,587
Off balance sheet exposures other than OTC derivatives or credit derivatives	17,086,151	386,757	439,734	-
Defaulted Exposures	7,633	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>21,728,252</b>	<b>386,757</b>	<b>1,333,593</b>	<b>1,464,587</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>98,035,014</b>	<b>638,248</b>	<b>3,899,264</b>	<b>1,464,587</b>

*Note:*

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**(g) Risk management policies (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows the on and off balance sheet exposures before and after CRM.

**30 Jun 2018**  
**Bank (RM'000)**

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b><i>Credit Risk</i></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	17,462,724	-	-	-
PSEs	1,413,251	-	-	-
Banks, DFIs & MDBs	3,148,081	-	245,758	-
Corporates	16,176,584	223,955	558,093	-
Regulatory Retail	3,272,487	4,345	73,361	-
Residential Mortgages	15,252,168	-	14,717	-
Higher Risk Assets	19,038	-	-	-
Other Assets	724,719	-	-	-
Equity Exposure	186,737	-	-	-
Defaulted Exposures	379,602	5,826	2,440	-
<b>Total for On-Balance Sheet Exposures</b>	<b>58,035,391</b>	<b>234,126</b>	<b>894,369</b>	<b>-</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,314,816	-	280,048	1,546,138
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,662,730	247,249	272,588	-
Defaulted Exposures	4,817	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>17,982,363</b>	<b>247,249</b>	<b>552,636</b>	<b>1,546,138</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>76,017,754</b>	<b>481,375</b>	<b>1,447,005</b>	<b>1,546,138</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**(g) Risk management policies (Cont'd)**

**3) Credit Risk (Cont'd)**

**ii) CRM (Cont'd)**

The table below shows on and off balance sheet exposures before and after CRM.

31 Dec 2017

Bank (RM'000)

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<b><i>Credit Risk</i></b>				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	16,387,492	-	-	-
PSEs	1,740,704	-	-	-
Banks, DFIs & MDBs	6,948,297	-	1,585,647	-
Corporates	16,473,671	214,080	733,374	-
Regulatory Retail	3,397,411	8,293	83,566	-
Residential Mortgages	15,584,111	-	16,438	-
Higher Risk Assets	24,989	-	-	-
Other Assets	680,506	-	-	-
Equity Exposure	176,679	-	-	-
Defaulted Exposures	475,304	5,999	10,747	-
<b>Total for On-Balance Sheet Exposures</b>	<b>61,889,164</b>	<b>228,372</b>	<b>2,429,772</b>	<b>-</b>
<i>Off-Balance Sheet Exposures</i>				
OTC Derivatives	4,662,208	-	893,859	1,464,587
Off balance sheet exposures other than OTC derivatives or credit derivatives	14,066,874	216,464	356,999	-
Defaulted Exposures	6,166	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>18,735,248</b>	<b>216,464</b>	<b>1,250,858</b>	<b>1,464,587</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>80,624,412</b>	<b>444,836</b>	<b>3,680,630</b>	<b>1,464,587</b>

***Note:***

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

PSEs - Public Sector Entities

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**5) Interest Rate Risk/Profit Rate Risk**

**Sensitivity of projected Net Interest/Finance Income**

The interest/profit rate sensitivities set out in the table below are illustrative only and are based on simplified scenarios.

**Change in projected net interest/finance income in next 12 months arising from a shift in interest/profit rates of:**

	<b>Group (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	73,467	(100,394)	36,272	(83,246)
USD	26,634	(32,734)	22,261	(23,086)
Others	11,755	(23,099)	1,485	(13,783)
	<b>111,856</b>	<b>(156,227)</b>	<b>60,018</b>	<b>(120,115)</b>

	<b>Bank (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	100,602	(120,414)	66,069	(101,520)
USD	17,262	(21,343)	13,799	(13,120)
Others	5,043	(15,483)	1,917	(13,288)
	<b>122,907</b>	<b>(157,240)</b>	<b>81,785</b>	<b>(127,928)</b>

The increase or decline in economic value for upward and downward rate shocks for measuring interest rate risk/rate of return risk in the banking book are as follows:

**Change in projected economic value of equity arising from a shift in interest/profit rates of :**

	<b>Group (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	142,690	(160,038)	108,700	(112,659)
USD	41,304	(62,932)	42,277	(55,061)
Others	89,777	(73,051)	81,945	(58,958)
	<b>273,771</b>	<b>(296,021)</b>	<b>232,922</b>	<b>(226,678)</b>

	<b>Bank (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 200 bps	- 200 bps	+ 200 bps	- 200 bps
MYR	217,981	(249,487)	194,046	(211,160)
USD	51,281	(66,276)	42,645	(53,329)
Others	86,009	(66,664)	82,623	(59,845)
	<b>355,271</b>	<b>(382,427)</b>	<b>319,314</b>	<b>(324,334)</b>

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

**5) Interest Rate Risk/Profit Rate Risk (Cont'd)**

**Sensitivity of projected Net Interest/Finance Income (Cont'd)**

The sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements are monitored on a monthly basis by assessing the expected reduction in valuation of available-for-sale portfolios to parallel movements of plus or minus 100 basis points in all yield curves.

**Sensitivity of reported reserves in 'other comprehensive income' to interest/profit rate movements**

	<b>Group (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(204,685)	204,685	(155,455)	155,455
USD	(14,862)	14,862	(10,549)	10,549
CNY	(126)	126	(156)	156
	<b>(219,673)</b>	<b>219,673</b>	<b>(166,160)</b>	<b>166,160</b>

	<b>Bank (RM'000)</b>			
	<b>30 Jun 2018</b>		<b>31 Dec 2017</b>	
Basis point parallel shift in yield curves	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
MYR	(173,355)	173,355	(120,067)	120,067
USD	(14,862)	14,862	(10,549)	10,549
CNY	(126)	126	(156)	156
	<b>(188,343)</b>	<b>188,343</b>	<b>(130,772)</b>	<b>130,772</b>

**6) Equities**

At 30 June 2018, the Group does not hold any quoted shares. The Group's holding of unquoted shares at 30 June 2018 was mainly of shares held for the purpose of gaining strategic advantage.

Quoted equities

Quoted shares are not held for capital gains.

Unquoted equities

These shares are not held for capital gains and are recorded based on net tangible assets as measurement of fair value. The unquoted equities were classified under the non-institutional segment and risk weighted at 100%.

Refer to Note 9 of the financial statements at 30 June 2018 on the Group's holdings of equity investments.

## **Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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### **7) Shariah Governance (for HSBC Amanah Malaysia Berhad only)**

#### **Overview**

Shariah compliance is a cornerstone of Islamic banking and finance industry. An effective Shariah governance policy enhances the diligent oversight of the BOD, the Shariah Committee and the Management to ensure that the operations and business activities of HBMS, a fully owned Islamic subsidiary of the Bank, remain consistent with Shariah principles and its requirements.

To ensure Shariah compliance in all aspects of day-to-day Islamic finance activities, the Malaysian regulatory bodies such as BNM and Securities Commission have spelled out several provisions in relation to the establishment of a Shariah Committee and an internal Shariah Department in an Islamic Financial Institution (IFI). The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and rulings pertaining to Islamic finance. The Shariah Committee also performs an oversight role on Shariah matters related to the Bank's business operations and activities. At the institutional level, the Shariah Department acts as an intermediary between the Shariah Committee and the Management team of the IFI. The Shariah Department together with the Shariah Committee has the role to assist the Management in ensuring that all activities of the IFI are in compliance with the Shariah rules and principles, in accordance with the guidelines laid down by Shariah Governance Framework (SGF) of BNM. However, the accountability to ensure Shariah compliance remains with the IFI's BOD.

#### **Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per the Shariah Governance Framework.**

The governance structure of HBMS and the primary responsibilities of each function are set out below:

##### **a. Board of Directors**

To be ultimately accountable for the overall Shariah governance framework and Shariah compliance in HBMS.

##### **b. Shariah Committee**

To maintain an oversight on the operations and business activities of HBMS and to be accountable for its decisions, views and opinions on Shariah matters.

##### **c. CEO and Management**

To be responsible in day-to-day compliance with Shariah in all aspects of its business activities by observing and implementing the Shariah rulings and decisions made by the Shariah Advisory Council of BNM (SAC) and the Shariah Committee and to identify and refer any Shariah issues to the Shariah Committee for its decisions, views and opinions.

##### **d. Shariah Audit**

To conduct periodical assessment to provide an independent assessment and objective assurance of the effectiveness on the internal control system for Shariah compliance.

##### **e. Shariah Risk Management**

To assist in developing and implementing a risk identification process, measurement of the potential impact and monitoring of Shariah non-compliance risks and operational/reputation risk within HBMS.

To formulate and recommend appropriate Shariah non-compliance risk management policies and procedures and risk awareness programmes.

##### **f. Shariah Department**

###### **i) Shariah Review**

To examine and evaluate HBMS' level of compliance with the applicable Shariah rulings and regulations and consequently to provide remedial rectification measures to resolve non-compliance and to ensure that proper control mechanism is in place to avoid recurrences.

To ensure that all procedural guidelines, rules and regulations issued by BNM and other regulatory bodies relating to Shariah as well as internal guidelines, policies and procedures, manuals and all Shariah rules and principles issued by the Shariah Committee and Shariah Department are adhered to, with due regard to the business needs and Shariah requirements.

**Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Interim Disclosures (Cont'd)**

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**7) Shariah Governance (Cont'd)**

**Qualitative Disclosures - Key Components and Core Shariah Functions in Implementing and Monitoring the Shariah Governance Practices as per SGF (Cont'd)**

**f. Shariah Department (Cont'd)**

**ii) Shariah Advisory**

To provide day-to-day Shariah advice and consultancy to relevant parties, including those involved in the product development process as well as the supporting functions.

**iii) Shariah Research**

To conduct in-depth research and studies on Shariah issues.

**iv) Shariah Secretariat**

To coordinate meetings, compile proposal papers, prepare and keep accurate record of minutes of the decisions and resolutions made by the Shariah Committee, disseminate Shariah decisions to relevant stakeholders and engage with relevant parties who wish to seek further deliberations from the Shariah Committee.

**v) Knowledge and Skills Monitoring**

To monitor the level of Shariah related knowledge and skills by the staff involved in the cycle of HBMS's products.

**Quantitative Disclosure**

**a. Shariah Non-Compliance Events:**

During the financial period ended 30 June 2018, no actual Shariah non-compliance event has been identified.

**b. Shariah Non-Compliance Income:**

During the financial period ended 30 June 2018, the following amounts are recorded in the Shariah Penalty & Impure Income Account (the Account):

- i) The amount of RM688 in the Account was carried forward from 2017 to 2018.
- ii) Income from inadvertent Shariah non-compliance activities identified by HBMS's management amounted to RM11,297 as at 30 June 2018 received from transactions via Nostro Accounts has been reversed to the Account.

The balance of RM11,985 in the Account is pending distribution in 2018.

Other than the above, there were no other Shariah non-compliance income or other amounts recorded during the financial period ended 30 June 2018.